



all data, all the time



What is **Mo**?

Mo is the first network on the Internet. Think CNN. Think *New York Times*. We're not talking a magazine with a web page, or a TV show about the Internet. **Mo** is the first 24 hour/day network on the Internet: news, information, entertainment. Our goal is for you to come to work in the morning and turn on your computer. Our goal is for you to come home at night, sit back on the couch, and pick up the remote for your computer instead of the remote for your television.

Mo will be global and round-the clock. We start with **Mo News**, **Mo Audio**, and **Mo Talk**. **Mo News** is daily news. **Mo Talk** is a daily talk show. **Mo Audio** is a set of four radio stations. We start with studios in San Francisco and D.C., with correspondents around the world. Our news is not some rehashed version of a news clipping service, or a web page that sits on the side of a program designed for TV. Our correspondents are at the White House, in the streets of Burma, in the field in Bosnia.

Mo. A global 24-hour network on the Internet.

Our strategy is much like CNN's: we put the infrastructure in place to report the news in a way that the current organizations cannot handle. We build up our viewers steadily, using spikes to pull in more people. A spike might be a news story that only we can handle: a revolution in China during a news blackout and we get the story out over phone lines. A spike might be an event that we decide is important and the media herd ignores: *Kasparov v. Deep Blue* brought in 7 million hits per day for 5 days. A spike might be programming that we put together that ideally matches the Internet: our *north.pole.org* Santa Claus server brought in several million people from 80 countries to download digital christmas trees and talk to Santa.

We make our money the same way every media organization does: raw hits and demographics. The Internet has reached critical mass and a mass audience is waiting to form. The land of boutique web sites will continue, but people are waiting for a "channel" they can turn on every day. We keep our edge by knowing our technology and by knowing our content: we want to build a network that has a unique look-and-feel, that is a serious source of news, that has events and entertainment that drags people in the door and keeps them there day after day.

"Look what I saw on Mo last night!"



Before **Mo**

Mo grows out of 3 years of successful operation of the *Internet Multicasting Service*, a non-profit corporation based in Washington, D.C. On April 1, the Internet Multicasting Service will disband. Our assets are being dispersed to non-profit corporations throughout the world, and our *entire* staff is coming on board to start **Mo**.

IMS went on the air on April 1, 1993 helped along with a front-page article in the *New York Times*. We started the first radio station on the Internet, featuring the *Geek of the Week* interview, a program that still gets several hundred listeners per day even though it has been out of production for two years. *Geek of the Week* was quickly supplemented by a large number of other programs, including the *National Press Club*, *HarperAudio*, and a host of others.

Starting in January 1995, our programming went 24 hours/day, including satellite-based gateways to news feeds, and permanent live installations in places like the National Press Club and the U.S. Congress. Our audio work has progressed to include every format and every distribution technique. Our pre-network audio processing has the highest production values in the industry and our automated multicast control center to control multiple live events is unique.

Mo Data, **Mo** Betta.

When we started IMS, we felt strongly that this had to be more than "radio on the Internet." We've helped pioneer multicasting from live events at places like Joint Economic Committee hearings, the United Nations 50th Anniversary, and from a host of trade shows, conferences, and other locations. We've learned to combine audio, video, text, images, and sophisticated web construction to get the story out to the web as it happens.

More importantly, we've made our program content fit the Internet. Our "radio station" quickly expanded to include key government databases, Santa Claus, on-line restaurants, and any other content that we felt we could express uniquely. We saw absolutely no contradiction in our radio station starting a phone company like tpc.int: our job was to be there when you turn on your computer. That means avoiding cliches about what media *should* look like and concentrating on producing content *every day* for our viewers.

For the last 16 months, IMS has been the driving force behind the Internet 1996 World Exposition. This world's fair for the information age now has pavilions from over 30 countries, receives 1-10 million hits per day, and has raised close to \$100 million for public works projects for the Internet. The fair has received the strong endorsement of many heads of state and has become *the* event in many countries where the Internet is growing the fastest.

We have designed the shutdown of IMS to be done in a way that keeps the fair healthy and strong. Substantial donations of IMS assets to different fair groups have provided them with the boost they will need to take this project to the next level. **Mo** will bring with it a great deal of goodwill from the community: we will be perceived as the first serious media enterprise to grow from *within* the Internet community. **Mo** is no carpetbagger—we can bring with us 3 years of goodwill coming from projects ranging from the SEC database to the world's fair.



The Current Market

We want to produce more web sites. How's that for a unique market opportunity? It turns out that there really isn't anybody in the content business right now who seems to have a shot at being the next \$2 billion network. Here are some of the current players:

New media ventures by the big boys. The Murdoch/MCI and NBC/Microsoft ventures are the best examples of these big money operations, but you can lump operations like the San Jose Mercury News or Times-Mirror into this category. All of these operations are based on a single premise: with all this great programming lying around, we should pursue alternative distribution channels. The problem is, you can't take a newspaper and "webify" it: the Internet is a sophisticated publication mechanism, just as sophisticated (or more) as getting a newspaper from a reporter's notes to your door. These huge ventures can't attract staff with a clue and are trying to reuse material. They are sinking.

Modus Operandi: The Internet.

Mo.

We also do content. Operations like @Home, Microsoft, Apple, AT&T, and many others all have a content aspect to them. Microsoft has pretty much dropped out, telling MSN developers to build web sites. Interchange and eWorld are widely acknowledged as flops. Even an operation like @Home isn't going to be able to do the content by themselves. These folks are in the bit-selling business and we can generate new bits, all the time.

The new trade press. Operations like Cnet and HotWired are very successful on-line publications, but they are focused on the industry. They will do well, but they are not competing in the general media marketplace, nor do they have the staff or management to do so.

Software sellers. Operations like Xing Streamworks, RealAudio, Pointcross, and many others are basically in the software business. They encourage content because that is how they will sell their software. In many cases, content consists of the college kid with a jukebox, or the small radio station with a gateway, or a joint venture with a media group like NPR or ABC that desperately wants a "presence on the Internet."

Directory providers. Lycos, Yahoo, AltaVista, and many others are providing catalogues of the network. They will compete with us, at first, for ad dollars, but they are in a very different marketplace. Our premise is that *we* produce programming for the Internet. The directory services are simply leveraging on top of the millions of other web sites. We think we're higher up the food chain than they are.

Clipping services. Groups like Nando (and many of the on-line newspapers ventures) are gunning for the Lexis/Nexis market. They all want to be a research tool. That is a huge business, but that is very different from turning on CNN to find out the latest news or to listen to the latest celebrity. We've already made our contribution to the Lexis/Nexis financial profile already and want to focus on the CNN's of the world.



What The Market Is Missing.

None of the current media ventures share all the following attributes:

1 Constantly changing data.

The audio gateways such as *World Radio Network* or the TV gateways such as *CBS Overnight* come close, but these are single-dimension feeds. Small "cyberstations" like IMS have come close to this ideal, but have never been funded at the level to permit us to dump large volumes of daily program onto the internet on a constant basis.

2 Original Content.

If you are producing programming for the Internet it can't be an afterthought. You have different listeners, different original data, different production values and techniques. If you want to produce a report about food in Thailand or about Clinton's initiative, a real reporter armed with an Internet news infrastructure like **Mo** is going to be able to go far beyond what a newspaper new media department can salvage out of their print wire service.

3 Global Reach.

The Internet is growing fastest overseas. This is a global village. Very few of the existing ventures on the Internet are paying proper attention to these markets. We are uniquely suited to start big and grow in markets like Japan, Australia, England, or Sweden. IMS has a unique status overseas and many of the people joining **Mo** have excellent relations with industry, government, and content providers in these markets.

4 A breadth of content and a consistent focus.

HotWired is trade press, Nando is a clipping service, Yahoo is a directory service, Microsoft is a software company. Nobody is the New York Times, CNN, NBC, or one of the other true networks. **Mo** will have a unique identity, a consistent focus, and more data than you can shake a stick at.

Mo is the first network on the Internet all data, all the time.



Our General Strategy

We start with large studios in San Francisco and Washington, D.C. and smaller studios in Asia and Europe. Each studio has full production facilities and a server. The servers are co-located on Global Internet Exchange points, much like the architecture that was developed for Central Park in the Internet 1996 World Exposition. The two main studios are where the news and entertainment shows are produced. Those resources are supplemented by approximately 20 correspondents in the field in locations ranging from Burma to New York. We will use freelancers and commentators extensively to supplement our own resources.

Mo will go on the air September 1, 1996. Daily news and talk are the anchors for our first season. They give us the glitz (first news for the Internet!) and also help us build up our production techniques and a breadth of content. A correspondent in Chicago might produce a piece for our news one day, but things don't happen every day in Chicago. That same correspondent might spend the next day working on a sports program, or report on Chicago restaurants, or interview blues artists.

By January 1997, we hope to be expanding in two directions. First, we'd like to expand our studio presence in Europe and Asia. Second, we'd like to expand our program offerings and our presence at live events. We are projecting a staff of approximately 100 people by the end of the first year of operation, with a first-year funding requirement of \$28 million. A second round of investment of approximately \$25 million will be needed for the second year. This is significantly less than many media groups are spending to start their own 24-hour channels. Look at CNN Financial or NBC SuperChannel for some fairly amazing investment numbers.

Mo knows media.

Mo knows the internet.

Like CNN, we are asking for two years to become truly profitable. Like CNN, we want to turn the initial \$50 million investment into a \$2 billion company. We think we can do that in two years. The investment community is dying for a real opportunity to fund the next media giant and we think a credible stab at doing so is going to attract a great deal of excitement in the general investment community. Our goal is to take the money from this general community and transfer it into the pockets of those investors who decided to fund us.

Mo will make money the old-fashioned way: we will sell our demographics to advertisers. An audience of 5-10 million people per day within 2 years is not science fiction. The numbers are there on the Internet. Issues like measuring the demographic base are red herrings: we'll learn how to milk more than raw hit rates out of our statistics files and at the same time the advertisers will learn to accept different kinds of information than they are used to.

Think about it: I'm willing to give you 2 times the number of viewers on my travel program as CNN will on theirs, but I charge half the price. Are you willing to accept a lower confidence interval that 50% of my viewer base is in the 24-39 age bracket in return for getting 4 times your bang for the buck? The raw demographics are there and our job will be to sell those to our advertisers. With audience of millions of people per day like we are now seeing, the time is definitely ripe for a network that will feed those people their daily dose of content.



Our First Season

Mo News. News is a loss leader: it brings viewers and respectability. More importantly, it puts you everywhere: it is the force that drives the content that lets you do programs, events, talk shows, and other elements of a real 24-hour network. Although we are in the daily news business and people want to see a "program" we are going to modify our news to the medium we are using. We'll use a mix of techniques, such as streaming audio/video, java/Macromedia "animation" of our set, Media Lab tricks that let you build your own custom version of the news, and directory/database tricks that allow our news to build day-by-day into an every-accumulating pile.

Mo Audio. We think we can compete very effectively with streaming audio sources ranging from traditional radio to Muzak. We will use TCL-based program control that we developed with Simon Hackett (and have the commercial rights to) to control a live studio, pre-programmed audio on disk, and four 200-CD jukeboxes. We will start with four audio channels, focusing on news (through our venture with World Radio Network), classical music, modern/alternative rock, and ambient/techno rock. The audio streams will be accompanied by text/image streams that will provide listeners with information such as bios on the artists playing or visual images such as the European MTV uses to accompany their music mixes.

Mo. The network with an attitude.

Mo Talk. Larry King and Talkback Live watch out. We intend to use our D.C. and San Francisco studios to bring in 2-3 people per day to talk to the Internet. Authors, politicians, film stars, corporate personalities: you name it, we'll have them. These people give interviews constantly and our studios will be strategically located to get them on the air. We intend to supplement the talk with intensive side streams, ranging from user interaction (email, chat, java) to supplementary information (guest bios, relevant links, our own commentators). This show will have an evening talk show feel to it with comedy spots and musical interludes.

Mo Programs. Programs are more irregular than daily news, but leverage on top of the news organization. Initial programs will focus on travel, science/technology, food/restaurants, and sports. In each case, we will ruthlessly exploit our demographics. Our sports programming, for example, will look for areas where there is not good information and our users want to see things: interactive gaming, chess or billiards, and hang-gliding are three areas where we think we can supplement traditional basketball scores and drag in new viewers.

Mo Data. There are some tremendous opportunities to rescue databases and give them away. Our work with the SEC and Patent databases proved that, building huge user bases. We will look for unexploited areas such as the Trademark database and put them on-line quickly. Basic access will be free and high-volume users will be able to use electronic payment mechanisms.



Mo Money

We would like to raise the first year's money in three stages, based on clear milestones and evaluation criteria. On May 1, the advance team reports to work and starts building out full budgets, hiring people, and determining our technology base. The first million dollars allows us to keep the IMS staff together and begin the intensive planning process. Based on the first 30 days of work, we will report to our investors and convince them that this is really going to fly.

On June 1-15, the second infusion of \$9 million dollars comes in. We will spend June and July building out our studios and go into a beta test period on August 1. On September 1, we will go on the air. After 60 days of successful operation, we will go back to our investors again and show them what we have done, leading to the last infusion of money of \$18 million.

The total investment of \$28 million is the original funding and will get us through the first year of operation. We believe that a second infusion will be necessary by May 1997 of \$25 million. This infusion will be raised from initial and new sources, with anti-dilution rights to allow our original investors to maintain their percentage ownership.

Mo. Round the clock.
Round the globe.

We believe that **Mo** can show a profit in our first season. We will trade advertising spots for in-kind contributions of computers, bandwidth, and other resources we will need to make this happen. That gives us a base of advertisers, plus lets us book immediate revenue. A careful program of statistical analysis on our logs, demographic surveys, and other techniques will let us go to the major ad firms and convince them that this is more than a "new media" venture and deserves serious ad dollars. Having initial advertisers on board (even though we got them by accepting equipment instead of money) lets Madison Avenue feel like this is a "happening thing" and they had better get on the bandwagon.

One of the keys in generating this revenue stream (and to get the listeners in) will be generating a buzz in the media. IMS has been unique in the Internet in our ability to bring in press coverage on a consistent basis. We intend to keep this focus on new and innovative stunts as a way of keeping the PR blitz going. **Mo** will be in your face and even a corporate marketing group will see that this is an area where they can be hip, trendy and maybe even sell some of their product.

We will supplement the general media buzz with two techniques. First, we will conduct our own media purchases, concentrating on major market FM radio stations, cheap print outlets like the city papers, and some ads in major market publications such as *Wired* or *The New Yorker*. Second, we will generate visibility by appearing at large events, such as presidential debates or rock concerts. Our proven expertise at doing live events make us a very attractive partner for a large event that wants to add a bit of sizzle.



Mo Revenue

Estimating revenue for an operation like this is difficult, but we use the following analysis to make our estimates. Today, large sites such as our World's Fair, Yahoo, or Netscape can bring in 10-40 million hits per day. Our analysis of our logs indicates that this is a total viewer population of 1-2 million *people* per day on large sites.

If current viewer populations are in the 1-2 million people range, we feel confident that we can build up within 12 months to a population of 2-3 million people. Over the next 18 months, we can confidently project a regular viewing population on our sites of 5-10 million people, particularly given our ability to bring in the fast-growing overseas viewers.

An examination of the revenue base for print, network TV, and Cable TV indicates that we can bring in a very profitable revenue stream. In the long-run, we offer more carefully targeted demographics, better demographic information (using surveys, statistical analysis of logs, and other techniques), and a base of viewers that will come into work in the morning, turn us on, and leave us on for the day.

No Software. No Hardware. Just Data.

Mo.

Current ad revenues on the Internet are focused on the directory services such as Yahoo or Altavista, or on speciality publications such as HotWired. We're not going to try and compete with these specialized services. Instead, we will build up a general viewer population through a programming strategy that has three parts:

- **segment** the market
- **target** that market
- **assimilate** that market

We will look for program areas that we think have potential, such as the recent Kasparov v. Deep Blue match. We will then focus on that market and give them the material that they want in their speciality area. By branding our program offerings under the Mo label, we hope to take these segmented markets and assimilate them into a large, general viewer population.

Expenses for this network, even in full, global, 24-hour operation will never be more than \$50-100 million (and we think it can be significantly less). Even if we are wildly successful, start bidding for high-profile events (such as the Academy Awards or the Olympics) we can't see how this operation can cost more than that. Our cost of operation will be less than their traditional networks, our market is the same size.

Rather than make detailed revenue projections, we prefer to base our profitability projections on the revenue breakdown of our competitors, an analysis of our strategic advantages, and on our expense profile. Our sales and marketing staff (assisted by *everybody* in the corporation) will turn these assets into a steady revenue stream and increased value of the corporation





Budget Overview

Capital Equipment - SFO Headquarters

| | |
|---|-------------------|
| Main Server | \$ 820,000 |
| DS3 Service | \$ 120,000 |
| Main Server | \$ 250,000 |
| Disk/Backup (350 Gbytes) | \$ 350,000 |
| Routers, Concentrators, UPS, Dialin | \$ 100,000 |
| Sound Studio | \$ 280,000 |
| 4 Jukeboxes, 2 Workstations | \$ 60,000 |
| 6 Xing, 2 Sparcstation 2 | \$ 30,000 |
| 4 Digidesign | \$ 40,000 |
| Boards, Digital Processing | \$ 60,000 |
| Mikes, Decks | \$ 60,000 |
| Studio Furniture | \$ 30,000 |
| Image Lab | \$ 155,000 |
| 6 Workstations, Software | \$ 90,000 |
| Color Imaging/Scanning | \$ 40,000 |
| Furniture | \$ 25,000 |
| Video Lab | \$ 335,000 |
| 3 FAST Systems | \$ 60,000 |
| Beta/ S-VHS Decks | \$ 80,000 |
| Cameras | \$ 80,000 |
| 6 Workstations | \$ 90,000 |
| Furniture | \$ 25,000 |
| Set/Studio Buildout | \$ 120,000 |
| Sonex, Sets | \$ 30,000 |
| Lights, Mikes | \$ 20,000 |
| Buildout | \$ 25,000 |
| Furniture | \$ 35,000 |
| Systems Group | \$ 190,000 |
| 8 Workstations | \$ 170,000 |
| Furniture | \$ 20,000 |
| Webmaster Group | \$ 190,000 |
| 8 Workstations | \$ 170,000 |
| Furniture | \$ 20,000 |
| News Group (8 seats) | \$ 120,000 |
| Corporate Headquarters (8 seats) | \$ 150,000 |
| Marketing/Sales (8 seats) | \$ 160,000 |



Budget Overview *(continued)*

Additional Expenses

| | |
|--|---------------------|
| Office Expenses | \$ 275,000 |
| Rent (4000 square feet @ \$25/foot) | \$ 100,000 |
| Telephone | \$ 35,000 |
| Printing | \$ 100,000 |
| Shipping | \$ 40,000 |
| Corporate Expenses | \$ 490,000 |
| Lawyers | \$ 120,000 |
| Accounting | \$ 120,000 |
| PR Firms | \$ 250,000 |
| Intellectual Property | \$3,000,000 |
| Databases | \$ 500,000 |
| Wire Services | \$ 200,000 |
| Material Purchase | \$ 800,000 |
| BMI/ASCAP/Photo Rights | \$ 1,500,000 |
| Marketing | \$1,500,000 |
| Technical Consultants | \$1,000,000 |
| Travel Budget | \$1,500,000 |
| Salaries (65 @ \$100K each) | \$6,500,000 |
| 6 Sound Engineers | |
| 6 Image Processing Engineers | |
| 6 Video Engineers | |
| 6 Studio Technicians | |
| 6 Systems Engineers | |
| 6 Web/Java Engineers | |
| 8 Home Office Correspondents | |
| 8 Marketing/Sales Staff | |
| 8 Corporate Staff | |
| D.C. Studio | \$4,000,000 |
| Buildout and Equipment | \$ 2,000,000 |
| Staff (20 people) | \$ 2,000,000 |
| Field Correspondents | \$3,000,000 |
| (20 @ 150K each, includes travel, equipment) | |
| Events (8 @ 150K each) | \$1,200,000 |
| Buildout for Asia/Europe | \$2,500,000 |
| Total First-Year Budget: | \$27,450,000 |

